THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) In view of the current macroeconomic and overall monetary conditions, Reserve Bank of India has increased the fixed Repo Rate by 25 basis points from 7.25% to 7.50% under the Liquidity Adjustment Facility (LAF) effective from 31st January, 2007.

(b) Yes, Sir. Consequent to increase in Repo Rate, most of public sector banks have raised their Benchmark Prime Lending Rates (BPLRs). However, the rate of interest on existing housing and education loans have not been increased.

(c) The interest rates are determined by the banks themselves with the approval of their Board of Directors after taking into consideration factors like cost of funds, operating expenses, transaction cost, risk, etc. in a transparent manner. Though, Reserve Bank of India (RBI) has deregulated the interest rates on advances including housing and other retail loans, it has stipulated that interest rates on advances upto Rs. 2 lakh cannot exceed the BPLR of the concerned bank.

Small and marginal farmers under institutional loans

765. SHRIMATI PREMA CARIAPPA: Will the Minister of FINANCE be pleased to state:

(a) what is the percentage of small and marginal farmers covered under the institutionalized loans by Public Sector Banks, RRBs and Co-operative Banks *vis-a-vis* the total number of small and marginal farmers; and

(b) what efforts have been undertaken by Government to increase the percentage of small and marginal farmers under the institutionalized loans?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Data Reporting System of Reserve Bank of India does not generate information in the manner asked for. However, data of disbursements to small and marginal farmers published by Reserve Bank of India (RBI) indicates that around 50% of the loans issued by scheduled commercial banks are provided to small and marginal farmers.

(b) In terms of policy of RBI, under the special agricultural credit plan, 40% of direct advances disbursement should be for small and marginal farmers. The target is to be achieved by banks by March 2007. Similarly in

the case of Regional Rural Banks (RRBs), the target for lending to priority sector has been set at 60%. A large majority of the clientele of RRBs is comprised of small and marginal farmers. State Cooperative Banks (SCBs), District Central Cooperative Banks (DCCBs) and Primary Agricultural Credit Societies (PACSs) operate predominantly in rural areas and a large majority of their members are small and marginal farmers.

Following relaxations have been extended to small and marginal farmers under Priority Sectors:

- Banks have been advised to waive margin/security requirements for agricultural loans up to Rs.50,000.
- Total interest debited to the accounts of small and marginal farmers should not exceed the principal amount in respect of short-term advances.

Exempting exporters from VAT

766. SHRI B.J. PANDA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the exporting community has asked for exempting them from VAT as the existing system of refund of input stage VAT is fraught with delays; and

(b) if so, the details thereof indicating the action plan of Government to address this issue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) It is a fact that some of the States have received requests from the exporters for grant of exemption from payment of input tax in respect of goods exported.

2. State VAT, being a tax on sale or purchase of goods within a State, is a State subject by virtue of Entry 54 of State List of the Constitution. An Empowered Committee of State Finance Ministers (EC) has been constituted to deliberate upon and decide all matters concerning State VAT. The EC has decided that "For all exports made out of the country, tax paid within the States will be refunded in full, and this refund will be made within three months. Units located in SEZ and EOU will be granted exemption from payment of input tax or refund of the input tax paid within three months."